

## Financial Accounting and Management

### Unit 1

#### Multiple Choice Questions

1. \_\_\_\_\_ is a specialised branch of accounting that keeps track of a company's financial transactions.
  - a) Cost Accounting
  - b) Management Accounting
  - c) Financial Accounting
  - d) Corporate Accounting
2. Financial Accounting is governed by \_\_\_\_\_.
  - a) Local standards only
  - b) International standards
  - c) Local as well as international accounting standards
  - d) Company's internal top management only
3. \_\_\_\_\_ is the scope of financial accounting.
  - a) Collection and processing of data
  - b) Verifying or auditing data
  - c) Publishing data
  - d) All of the above
4. Which is not a benefit of financial accounting?
  - a) Maintaining systematic records
  - b) Protecting and safeguarding business assets
  - c) Historical in nature
  - d) Facilitates rational decision making.
5. Which is not a limitation of financial accounting?
  - a) Inadequate information to fix up the price of products manufactured.
  - b) Lack of data for comparison of cost of operation of the firm with other firms in the industry
  - c) The data available is historical in nature.
  - d) Complies with the various legal requirements.
6. The overriding purpose of financial accounting is to summarize financial activity in business in the \_\_\_\_\_.
  - a) profit and loss statement.
  - b) balance sheet.
  - c) cash flow statement.
  - d) all of the above
7. \_\_\_\_\_ are the basis of the business's financial accounting.
  - a) Accounting records
  - b) Bookkeeping
  - c) Sales Volume
  - d) Both A & B
8. Financial accounting provides accounting information to the \_\_\_\_\_ though the information is useful for internal purposes also.
  - a) External users
  - b) Internal users
  - c) Company
  - d) Competitors
9. Financial accounting reports include \_\_\_\_\_.
  - a) profit and loss account.
  - b) directors report
  - c) balance sheet and auditors report.
  - d) all of the above
10. Financial accounting cover overall performance of the \_\_\_\_\_.
  - a) Competitors
  - b) Market
  - c) Company
  - d) Finance department.
11. Select the correct statement.
  - a) Financial accounting reports govern generally accepted accounting principles.

- b) Generally accepted accounting principles govern financial accounting reports.
  - c) Generally accepted accounting principles does not govern financial accounting reports.
  - d) There is no relation between Generally accepted accounting principles and financial accounting reports.
- 12. The annual reports are to be prepared and published for circulation among the external end users such as \_\_\_\_\_**
- a) Company, competitors, contributors and colleagues
  - b) Customers. creators, collaborators and contractors
  - c) Government, competitors, owners and top management
  - d) Shareholders, investors, bankers, debenture holders and creditors
- 13. \_\_\_\_\_ is a structured representation of the financial performance and financial position of a business and changes over a period of time.**
- a) Profit and loss account. c) Balance sheet
  - b) Financial statement d) Internal audit
- 14. \_\_\_\_\_ are the components of financial statements.**
- a) Profit and loss account and balance sheet.
  - b) Cash flow and fund flow statement.
  - c) Notes and schedules
  - d) All of the above
- 15. \_\_\_\_\_ explain the financial position of the reporting entity at the end of the accounting period.**
- a) Balance sheet c) Ledger
  - b) Income statement d) Notes and schedules
- 16. \_\_\_\_\_ helps to find out the profit made on loss sustained in a particular accounting period through transactions and events.**
- a) Income statement c) Trading account
  - b) Profit and loss account. d) None of the above
- 17. Accountants treat a business as distinct from the persons who own it. This concept is termed as:**
- a) Business entity concept c) Going concern concept
  - b) Money measurement concept d) Dual aspect concept
- 18. The accounting practices should remain the same from one year to another as per:**
- a) Convention of consistency c) Convention of disclosure
  - b) Convention of conservatism d) None of these
- 19. The dual aspect of accounting in ensured in the:**
- a) Double entry system c) Double- and single-entry system
  - b) Single entry system d) None of the above
- 20. Transactions are entered in the books of account at the amount actually involved in the concept of:**
- a) Cost concept c) Going concern concept
  - b) Dual aspect concept d) Money measurement concept
- 21. \_\_\_\_\_ is the art of recording, classifying, and summarizing in a significant manner, and in terms of money transactions and events which are in part at least, of a financial character and interpreting the results thereof.**
- a) Journal entry. c) Accounting
  - b) Ledger d) None



- c) Systematic analysis of recorded data.
  - d) Methodical classification of data given in financial statements.
- 34. Fixed assets are held by business for \_\_\_\_\_**
- a) Converting into cash
  - b) Generating revenue
  - c) Resale
  - d) None of the above
- 35. Accounting provides information on:**
- a) Cost and income of managers
  - b) Company's tax liability for a particular year
  - c) Financial condition of an institution
  - d) All of the above
- 36. Also known as the historical cost principle, \_\_\_\_\_ states that everything the company owns, or controls (assets) must be recorded at their value at the date of acquisition.**
- a) revenue recognition principle
  - b) expense recognition (matching) principle
  - c) cost principle
  - d) full disclosure principle
- 37. Which of the following is an asset?**
- a) Inventory
  - b) Accounts payables
  - c) Fees earned
  - d) Salaries
- 38. Accounting principles are divided into:**
- a) Accounting concepts
  - b) Accounting conventions
  - c) Fundamental accounting assumptions
  - d) All of the above
- 39. Which of the following is not an accounting concept?**
- a) Matching concept
  - b) Dual aspect concept
  - c) True and fair concept
  - d) Going concern concept
- 40. According to going concern, a business is assumed as having:**
- a) A limited life
  - b) An indefinite life
  - c) A very long life
  - d) None of the above
- 41. According to money measurement concept, which of the following will not be recorded in the books of accounts?**
- a) extra profits arising out of revaluation of assets
  - b) commission payable to a salesman
  - c) quality of the products
  - d) all of these
- 42. Final accounts must be prepared on a periodic basis rather than waiting till the business is terminated:**
- a) Money measurement concept
  - b) Cost concept
  - c) dual aspect concept
  - d) Accounting Period Concept
- 43. The concept of conservatism takes into account:**
- a) All future profits and all future losses
  - b) All future profits but leaves all future losses
  - c) All future losses but leaves all future profits
  - d) All of the above